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PROTECTIVE TARIFF

AND

FREE TRADE.

BY

HON. THOMAS H. DUDLEY,
(LATE UNITED STATES CONSUL TO LIVERPOOL.)

PRINTED BY
J. B. LIPPINCOTT & CO., PHILADELPHIA.
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CAMDEN, N. J., January 20, 1880.

To CHARLES EDWIN RAWLINS, ESQ., *Liverpool.*

DEAR SIR,—Your letter of the 8th ult. was duly received. I noted its contents, and read with attention all you said about our tariff system and your ideas with regard to free trade.

I do not see these questions as you do; indeed, I entertain views directly opposed to yours; and I have but little doubt, if you should ever visit this country, you will either agree with me, or at least modify your views upon these matters before you leave us.

You will see what protection has done and is doing for us; that under its fostering and benign influence we, in almost every branch of manufactures and human industry, are supplying ourselves with products quite equal in finish and quality to those made anywhere, and in very many branches we are now in the market with our goods and products competing with the world. Our cotton goods are being largely exported, and we are your competitors in cotton fabrics everywhere.

We are sending clocks, watches, dental instruments, edge-tools, and other manufactured commodities to England, locomotives to Russia and Brazil, and carpets to Norway and Sweden.

With every variety of climate and soil, and almost unbounded mineral resources, in a few years—if our tariff system should remain as it is—we shall become independent of Europe in almost everything; and in very many, if not most, be actual competitors with you in all the markets of the world.

In this small State of New Jersey over ten thousand four hundred people are now engaged in the manufacturing of silk.

The fabrics we are making equal those made in France, while our sewing-silk is said to be the best made anywhere. We expect next year to export the last named to England, and before two years have passed to supply Europe with sewing-silk.

I single out and refer to the silk business from among many other and vastly larger and more important branches of industry because it is new,—the growth of only the last eight or ten years,—and clearly and entirely the child of protection; and I have confined it to New Jersey because I have not got the statistics of this industry in any of the other States.

Our census, which is to be taken this year, will show a condition of things with regard to our products, manufactures, and industries which will astonish Europe. We are making rapid—most rapid—strides and progress in every branch of human industry.

With regard to commerce, I do not see how free trade will even help us to build ships, though I am ready to concede that free trade will create a demand for ships.

Protection means to transport the people where the food is raised and the product for manufacture is produced, and manufacture the commodities there.

Free trade means the reverse of this,—the people are to remain where they are, and the food to feed them and the material to be manufactured are to be taken to them. To transport the raw material (cotton) across the ocean, and then the food to feed the operatives, requires ships and costs money, and the consumer of the manufactured product, whoever or wherever he may be, has to pay this cost.

Fortunately for us, our people in the West have already seen this, and are now largely engaged in manufacturing, whilst the people at the South have commenced to see it, and consequently are beginning to build manufactories, and the coming census will show an advance in the South and West which will sur-

prise you. Chicago will appear as one of the largest manufacturing towns in the country, and the State of Ohio and those to the west of it will soon equal the East, if not in kind, at least in quantity and value of the commodities they manufacture.

You build ships, we build and equip railroads and steamers for our rivers and lakes. Your commerce is mainly on the sea, ours more on the land. I presume we put more money in railroads, locomotives, cars, and steamers for our rivers and lakes, than you put in ships.

When we find it more profitable to build steamships for the ocean than we do railroads and steamers for our inland navigation, we shall do it; and the day may come, and is probably not very far distant, when, even without the subsidies which you give to your lines of steamers, and which to this extent is but protection in another form, you may again find us your competitors upon the ocean as well as on the land.

The Agricultural Department at Washington has just published an estimate of some of the agricultural products of our country for the year 1879. The value is put down at $1,904,480,659. I suppose this is greatly undervalued, but taking it as stated let us look at it, and make an estimate as to what we consume at home and what we sell abroad:

Grain (or corn) of all kinds is valued at . . .	$1,247,112,000
Our hay crop at	325,851,280
Cotton at	231,000,000
Potatoes at	78,971,000
Tobacco at	21,545,591

In 1878 the total value of corn which you imported from all countries amounts in value to £59,064,875. This, I suppose, is the computed value when landed in England, and not the value at the place from whence imported. Of this quantity only a fraction more than one-half was from the United

States, say what we took in value in our money, $142,936,995; and if other foreign countries took $60,000,000 more in value, then, supposing you should take of the crop of 1879 the same as you did the year before, you would leave at home for domestic consumption $1,044,178,005.

The hay crop is nearly all consumed at home, so with the potatoes. The one is valued at $325,851,280, the other at $78,971,000.

The value of cotton imported by you is stated to be £33,519,549. Supposing two-thirds of this is from the United States, the value of what you import from our country would then amount in our money to $108,156,411; and if we shipped to other foreign ports $10,000,000 in value additional, it would leave for home consumption $102,843,589.

The value of unmanufactured tobacco imported in England is stated at about two and a half millions sterling.

Now, if two-thirds of this came from the United States,—say $8,066,666,—there would be over thirteen million dollars' worth remaining for home consumption. The result is this: of the articles named we, or our manufactures at home, use or consume in value, as the figures stand, over one thousand five hundred and seventy-five millions of dollars' worth.

Whilst I have given you, as I think, full credit for all, if not more than you took of what we exported, I am satisfied the amount we consumed or used at home was at least one-fifth more than is stated, owing to under-valuation of our production, and that our consumption of these five articles of agricultural product amounted in value to over nineteen hundred millions of dollars, as against less than three hundred and fifty millions which we exported or sold abroad.

Now, this estimate of the agricultural products of our country is limited to the five named articles, and does not include the meat crop,—hogs, cattle, sheep,—or horses; or the vegetable crop (excepting potatoes), which in this country, both

in variety and quantity, is enormous, and constitutes a large item in the food of our people; or the fruit crop, including the apple, peach, pear, or grape; or the smaller fruits that are raised by the ton; or the fish, poultry, eggs, rice, butter, or cheese. None of these are included, and when taken together they amount in value to many millions of dollars. Now of the agricultural products which we raise I do not suppose one-fifteenth part is exported abroad, certainly not exceeding this quantity, whilst the balance remains at home and is consumed or used by our people. You thus see the value of the home as compared with the foreign market, and how vastly more important it is to us than the foreign; and the more we stimulate and increase it the better it is for the agricultural as well as every other interest and industry of the country. Protection does this: it builds up and sustains manufactories, thereby making a market for the farmers.

It even does more, for it encourages new enterprises. But for our protective tariff we should not have had the silk manufactures. The ten thousand four hundred people in the State of New Jersey engaged in this business are all fed by our farmers. The nation is benefited as well. It gives employment to our people, and the profits to the manufacturer on the thirteen millions of dollars in value of goods manufactured are saved here; that is, whatever they make are made in this country, and go towards making up and swelling the wealth of the nation; and the capital thus saved or accumulated here is employed in developing the country and its numerous resources and industries.

One manufacturer in the silk business at Paterson, in New Jersey, is said to have made one million of dollars, and I am informed he has invested all this money in the town where he lives in building houses and in other improvements. Now, who is injured by this? Not the people, because the duty on silk is just the same now as it was when it was imposed years

ago as a mere "revenue" duty, for silk goods are cheaper now than they were at the time when the duty was imposed; the fact being in this, as in many other instances of production, a reduction in price of the goods produced by reason of domestic competition.

Steel rails a few years ago, before we began to manufacture them, cost us in England one hundred and forty dollars per ton. We are now manufacturing them here at very less rates, and within the past two years for forty dollars per ton. So with cotton fabrics: they are cheaper than they ever were; indeed, so cheap that we have been sending them to England by the million of yards and competing with you in your own market. It is no answer to say that, of some of these commodities, steel rails for instance, they are cheaper in England than they are in America. So far as the rails are concerned, this at the present time may be true, but not so with cotton goods, watches, clocks, and many other kinds of protected goods which we are sending to your market. They are cheaper here and cheaper when exported to England than those which you manufacture; hence we are competing with you in your own market. And with regard to steel rails, every one knows that if we were to stop manufacturing them, and to rely upon you for what we require, the price in England would not remain as it is, but would immediately advance to an extent probably more than the difference now existing between the price in our country and the price in your country; so that the end would be, we should have to pay you more than we are now paying for those made here. This is the natural consequence of trade, and follows just as surely as the night follows the day.

You may reply, that if we can produce cotton fabrics, watches, etc., cheaper than you, why do we require protection for these commodities? My answer is, that it is quite probable in some particular descriptions of cotton fabrics and manufactured products we cannot compete, and require the protec-

tion to enable us to work up to these particular description of goods; but in those we can and are competing with, we require the protection to maintain our market steady and to keep up the domestic competition.

It is a fact, in the commercial world, of which you do not require an example, that foreign competitors, when there are no impediments, will, in order to disturb markets and break down competition, sometimes combine to flood the foreign market. They will actually sell without profit to accomplish their purpose, in the hope that in the end, with the confusion in business and destruction in trade, in breaking down domestic competition they can make up more than they lose. I myself have known a foreign manufacturer to sell his goods in America for a less price than you could buy them in England, and less than he was actually selling the same kind of goods there. Whilst consul at Liverpool, numerous instances came to my knowledge where there were two prices,—one for the goods to be consumed in England, and another and lower price for those that were to go abroad,—and the manufacturer's profits were made up on the average price of the goods sold at home and those sold abroad.

There is gambling in trade as well as in stocks. Our tariff checks, if it does not entirely prevent this, at least so far as foreign competition is concerned, and enables our small capitalists to freely enter our markets with their limited means and become domestic competitors where they would not, indeed dare not, if exposed to the large foreign capitalists. It is our policy to encourage these and all such persons; for every one who starts in this way tends to cheapen the article produced, whilst he increases our home market for our agricultural products, helps create and accumulate capital here at home, and in this way adds so much to the national wealth.

There is another matter I must call your attention to, an error which most of you English gentlemen fall into. It is

this: that what you buy from us depends on what we purchase or take of you. In other words, if we do not purchase your manufactured goods you will not buy agricultural products from us.

Our friend Thomas Bayley Potter, Esq., in his recent visit to this country fell into this error, and in most of his speeches laid great stress upon it. He told our people in substance, that this result would follow if we persisted in retaining our tariff. Now, there never was a greater fallacy. You, like all other sensible people, buy where you can buy cheapest and sell where you can obtain the best price for what you sell. If you can buy your grain and breadstuffs in Russia cheaper than you can in America, you buy them there; if, on the other hand, we can sell you cheaper than Russia, you buy of us. It is price that regulates and controls, and not the balance of trade between the two countries.

Do you suppose that any grain-dealer in England ever looks to see whether the balance of trade is for or against his country when he is about to make a purchase? He buys wherever he can obtain the grain for the lowest price. As proving this, take the trade of your own country with Russia for the last twenty years. There has not been one year during this period but what you have purchased of her greatly in excess, and in most years more than double in value what she has bought of you. Take the year 1878, the last statement of your trade you have published, and it stands as follows:

Your imports from Russia . . . . =	£17,808,752
And your exports to Russia . . . . =	9,458,729

And the year before, 1877, your showing is still worse; you imported from her £22,142,422, whilst you exported or sold to her only £6,243,973,—less than one-third of what you imported.

Your trade with Russia for the last twenty years foots up as follows:

Your imports from	=	£369,782,059
And your exports to	=	158,436,122

In other words, you buy of her much more than double what she does of you. And if you will examine the statistics of your trade with other foreign countries, you will find the same result. The same inequalities in trade exist that there is with your trade with Russia, proving what I have said, that what you buy of a nation is not dependent upon what they buy of you,—that it is price, and not the balance of trade, that regulates and controls the business you do.

In the discussion of the question of protection and free trade, your people do not take into consideration the difference between our country and yours with regard to land and population. You have a scarcity of land and a redundancy of population, and in consequence cannot raise sufficient food to feed your people. We in the United States have a redundancy of land and a scarcity of population, and in consequence can not only raise sufficient food to feed our own people, but a very large surplus for export. There is scarcely a single article of food that you can raise or produce in sufficient quantity to supply or feed your own people, whilst with us there is not a staple but what we can raise in abundance and with a large surplus. Of course I do not mean to include in this category articles of foreign production, such as tea and coffee, but domestic articles, in most instances those common to both countries.

It is admitted that your agricultural productions vary in quantity one year from another: a good harvest yields more than a bad; but there is no year when you produce sufficient to feed your people. You do not and cannot raise sufficient.

Now, let us look at this a moment and see to what extent this exists; and we will take as an example the year 1878, which is not an exceptional one. You paid during this year as follows:

For Cattle, calves, sheep, and lambs, alive . .	£7,252,606
Meat, including beef and pork, etc. . .	12,838,899
Butter	9,954,053
Cheese	4,946,686
Breadstuffs, including corn, flour, wheat, etc.	59,064,875
Eggs	2,511,096
Fish	1,541,830
Lard	1,787,874
Potatoes	2,386,143
Rice	3,200,843
Total	£105,484,905

Making for the ten articles above named, in our money, over five hundred and ten millions of dollars.

Now, this being your condition, and having every year to buy these staple and indispensable articles of food, it is your interest to get them as cheaply as possible, hence your policy is to induce and persuade other nations, including the United States, to devote themselves to agricultural pursuits, for the more foreign people or nations you can persuade to engage in this industry the cheaper the food will be which you are compelled to buy, and to this extent you are or will be the gainers by the operation.

But you not only want cheap food to feed your people, but you want good or dear markets in which to sell your manufactured commodities. Now, if you can induce the United States or any other country to give up manufacturing and devote itself to agricultural pursuits, you not only thereby cheapen the price of food to this extent, but you accomplish another result, which also works to your advantage: you check foreign

competition and create another market for your manufactured goods or products. You are doubly benefited, and must necessarily grow rich. It is a gain to you on both ends. You buy for less and sell for more.

But how is it with the nation that is weak enough to be misled by such delusive arguments? It loses all and more than you gain; and if you thrive and grow rich, it starves and grows poor, and it requires not much reasoning to demonstrate that bankruptcy and ruin must soon follow if this policy is persisted in.

We think we understand these questions and what our true interest is, so far as they apply to our people and country, and we do not regard ourselves as benighted because of the policy we have adopted, or behind any other country in the world, not even England, in civilization and progress. Indeed, we look with great satisfaction, if not pride, upon the rapid advance we have made as a people, and as a nation, in population, wealth, and intelligence, and think that history, either ancient or modern, does not show a parallel example.

You will permit me to say, in conclusion, that we attribute no small share of this progress and development to the American system of protection in contradistinction to your so-called system of free trade.

Very truly yours, etc.,

THOMAS H. DUDLEY.

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